

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate
increase in Polk County by
Cypress Lakes Utilities, Inc.

DOCKET NO. 020407-WS
ORDER NO. PSC-03-0196-PCO-WS
ISSUED: February 10, 2003

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER SUSPENDING PROPOSED FINAL RATES AND
GRANTING INTERIM RATES SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Cypress Lakes Utilities, Inc. (Cypress Lakes or the utility) is a Class B water and wastewater utility in Polk County. As of December 31, 2001, Cypress Lakes provided service to 1133 water and 1097 wastewater customers. Cypress Lakes is a wholly-owned subsidiary of Utilities, Inc. In its 2001 Annual Report, the utility reported operating revenues of \$108,146 and a net operating loss of \$8,403 in its water operations. The utility reported operating revenues of \$231,491 and a net operating income of \$15,760 in its wastewater operations.

In 1998, we approved the transfer of certificates from Cypress Lakes Associates, Ltd. to Cypress Lakes Utilities, Inc. by Order No. PSC-98-0993-FOF-WS, issued July 20, 1998, in Docket No. 971220-WS. In that same docket, by Order No. PSC-00-0264-FOF-WS, issued February 8, 2000, we established rate base as of December 31, 1997, and declined to include a negative acquisition adjustment related to the transfer.

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On September 30, 2002, the utility filed for approval of final and interim rate increases, pursuant to Sections 367.081 and 367.082, Florida Statutes. However, the information submitted did not satisfy the minimum filing requirements (MFRs) for a general rate increase. Subsequently, on November 26, 2002, the utility satisfied the MFRs and this date was designated as the official filing date, pursuant to Section 367.083, Florida Statutes. The utility has requested that we process this case under the Proposed Agency Action (PAA) procedure.

The test year for interim and final purposes is the historical test year ended December 31, 2001. Cypress Lakes has requested interim water revenues of \$271,412, and interim wastewater revenues of \$357,327. The interim revenue request represents a water increase of \$156,860, or 136.93%, and a wastewater increase of \$122,549, or 52.20%. The utility has requested final water revenues of \$275,490 and wastewater revenues of \$361,255. This represents an increase of \$160,939 (140.49%) for water and \$126,477 (53.87%) for wastewater.

The sixty-day statutory deadline for the Commission to suspend the utility's requested final rates was January 25, 2003. This Order addresses the suspension of Cypress Lakes' final rates and the approved interim rate increase.

We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes.

SUSPENSION OF RATES

Section 367.081(6), Florida Statutes, provides that the rates proposed by the utility shall become effective within sixty days after filing unless we vote to withhold consent to implementation of the requested rates. Further, Section 367.081(8), Florida Statutes, permits the proposed rates to go into effect, secured and subject to refund, at the expiration of five months if we have not acted upon the requested rate increase or if PAA action is protested by a party other than the utility.

We have reviewed the filing and have considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We find that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional or corroborative data. This further examination will include on-site investigations by our staff accountants and engineers. Based on the foregoing, we find it appropriate to suspend the utility's proposed rate increase.

INTERIM RATES

As stated in its MFRs, Cypress Lakes requests interim rates designed to generate annual revenues of \$271,412 and \$357,327 for water and wastewater respectively. This represents a water revenue increase of \$156,860 (136.93%), and a wastewater revenue increase of \$122,549 (52.20%). The utility has filed rate base, cost of capital, and operating statements to support its requested water and wastewater increases.

Pursuant to Section 367.082(5)(b)1, Florida Statutes, the achieved rate of return for interim purposes shall be calculated by applying adjustments consistent with those used in the utility's most recent rate proceeding. We have reviewed the utility's interim request, as well as Order No. PSC-00-0264-FOF-WS, issued February 8, 2000, which established rate base as a result of the certificate transfer. The adjustments are discussed below. We have attached accounting schedules to illustrate the approved rate base, capital structure, and test year operating income amounts. The rate base schedules are labeled as Nos. 1-A and 1-B, with adjustments shown on No. 1-C. The capital structure schedule is No. 2, and the operating income schedules for water and wastewater, respectively, are labeled as Nos. 3-A and 3-B, with the adjustments shown on No. 3-C.

RATE BASE

The utility has filed simple average water and wastewater rate bases for the calendar year ended December 31, 2001. The utility made several adjustments to its rate base for interim purposes.

Based on our analysis, we find that the two adjustments discussed below are necessary to the utility's rate base.

Accumulated Amortization of CIAC

In its MFRs, the utility made pro forma adjustments to increase rate base to impute amortization of CIAC not accrued in 1999. We find this adjustment is neither a correction of an error nor consistent with the last rate proceeding. Thus, we find that it is not appropriate for interim purposes. As such, we have decreased accumulated amortization of CIAC water by \$5,565 and \$12,509 for wastewater to remove these adjustments from rate base.

Working Capital

The utility also made an adjustment to water and wastewater working capital to reflect 1/8 of operation and maintenance (O&M) expenses. We discuss adjustments to O&M expenses later in this Order. Corresponding adjustments should also be made to reduce working capital by \$644 for water and \$618 for wastewater to reflect 1/8 of the approved O&M expense adjustments.

Based on the above adjustments, we find that Cypress Lakes' interim rate base shall be \$835,164 for water and \$985,430 for wastewater.

COST OF CAPITAL

In its MFRs, Cypress Lakes used a simple average capital structure, which consisted of allocated investor sources of capital from Utilities, Inc. (the parent) and actual customer deposits for Cypress Lakes. Cypress Lakes did not include any balance of deferred income taxes in its capital structure. Since the utility has never had an authorized return on equity (ROE) established, Cypress Lakes used 11.07%, the mid-point of the cost rate calculated using the leverage formula in effect on December 31, 2001. This formula was established by Order No. PSC-01-2514-FOF-WS, issued December 24, 2001, in Docket No. 010006-WS. The utility's requested interim cost of capital was 9.22%.

We have reviewed the utility's calculation and we find that two adjustments are appropriate. First, pursuant to Section 367.082, Florida Statutes, the required rate of return for an interim increase for a utility that has never had an authorized ROE shall be calculated using the minimum of the range of the current equity leverage formula. The current leverage formula was approved by Order No. PSC-02-0898-PAA-WS, issued July 5, 2002, in Docket No. 020006-WS, and was made final by Consummating Order No. PSC-02-1252-CO-WS, issued September 11, 2002. Using the 2002 leverage formula and Cypress Lakes' adjusted equity ratio, we calculated a ROE of 10.93%, with a range of 9.93% to 11.93%. Using the minimum of the range, for interim purposes, we find the proper cost of equity is 9.93%.

Our second adjustment to cost of capital relates to the exclusion of Cypress Lakes' balance of accumulated deferred income taxes in the utility's calculated cost of capital. As reflected in its MFRs, Cypress Lakes has a simple average balance of credit deferred income taxes of \$10,812. Pursuant to Rule 25-30.433(3), Florida Administrative Code, net credit deferred income taxes shall be included in the capital structure at zero cost. We have reflected these amounts in the cost of capital calculation.

Based on the above, we find that the cost of capital for interim purposes shall be 8.65%.

NET OPERATING INCOME

Operating Revenues

Section 367.082(5)(b)1, Florida Statutes, states that the achieved rate of return is calculated by applying adjustments consistent with the utility's last rate proceeding and annualizing any rate changes occurring during the interim test year. For purposes of the interim application, Cypress Lakes chose the test year ended December 31, 2001. Cypress Lakes implemented a price index rate adjustment on July 1, 2001, and annualized its revenues accordingly. The utility's adjusted test year water and wastewater operating revenues were \$114,552 and \$234,778, respectively. We

have reviewed the utility's revenues and find that no adjustments are necessary.

Operating Expenses

Cypress Lakes made adjustments to decrease salaries, increase pensions and benefits, and decrease a common expense allocation. These adjustments are pro forma in nature and are not appropriate on an interim basis and thus shall be disallowed. These adjustments result in a reduction to water O&M expenses of \$5,151 and wastewater O&M expenses of \$4,939. Corresponding decreases shall also be made to remove the utility's pro forma adjustment for payroll taxes of \$3,640 for water and \$3,524 for wastewater.

Net Operating Income

Based on these adjustments, test year operating income, before any revenue increase, is a loss of \$11,519 for water and income of \$23,076 for wastewater.

REVENUE REQUIREMENT

Based on the above, we find the appropriate interim revenue requirements are \$255,196 and \$339,167 for water and wastewater, respectively. This represents an interim increase in annual revenues of \$140,644, or 122.78%, for water and \$104,389, or 44.46% for wastewater. This will allow the utility the opportunity to recover its operating expenses and earn an 8.65% return on its rate base.

INTERIM RATES

We find it appropriate to design interim service rates for Cypress Lakes to allow the utility the opportunity to generate annual operating revenues of \$255,196 and \$339,167 for water and wastewater operations. This reflects increases of \$140,644 for water and \$104,389 for wastewater, or 122.78% and 44.46%, respectively, before removal of miscellaneous revenues. To determine the appropriate percentage increase to apply to the

service rates, miscellaneous service revenues shall be removed from the test year revenues. The calculation is as follows:

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$114,552	\$234,778
2 Less: Miscellaneous Revenues	<u>2,829</u>	<u>0</u>
3 Test Year Revenues from Service Rates	\$111,723	\$234,778
4 Revenue Increase	<u>\$140,644</u>	<u>\$104,389</u>
5 % Service Rate Increase (Line4/Line3)	<u>125.89%</u>	<u>44.46%</u>

These rate increases of 125.89% and 44.46% shall be applied as an across the board increase to the service rates in effect as of December 31, 2001. The interim rates shall be implemented for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), provided customers have received notice. The revised tariff sheets shall be approved upon our staff's verification that the tariff sheets are consistent with the our decision, that the proposed notice to the customers is adequate, and that the required security discussed below has been filed. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

SECURITY FOR REFUND

Pursuant to Section 367.082(2)(a), Florida Statutes, the excess of interim rates over the previously authorized rates shall be collected under guarantee subject to refund with interest. We have reviewed the financial data of the utility and its parent company, Utilities, Inc. (UI), and approve a corporate undertaking guaranteed by the parent company. We have calculated the potential refund of wastewater revenues and interest collected under interim conditions to be \$164,161. This amount is based on an estimated eight months of revenue being collected from the approved interim rates over the previously authorized rates shown on Schedules Nos. 4-A and 4-B. We find that the cumulative amount of \$534,776 is acceptable contingent upon receipt of the written guarantee of UI

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and written confirmation of its oral attestation that UI does not have any outstanding guarantees on behalf of UI-owned utilities in other states.

The corporate undertaking shall state that it will be released or terminated upon subsequent order of the Commission addressing any refund requirements. Also, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the utility.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the water and wastewater rates proposed by Cypress Lakes Utilities, Inc. are hereby suspended. It is further

ORDERED that the request for an interim rate increase for water and wastewater rates by Cypress Lakes Utilities, Inc. is hereby granted, subject to our modifications, as set forth in the body of this Order. It is further

ORDERED that all matters contained in the schedules attached hereto are incorporated herein by reference. It is further

ORDERED that the approved interim rates shall become effective for service rendered as of the stamped approval date on the tariff sheets, provided customers have received notice. It is further

ORDERED that the tariff sheets shall be approved upon verification that they are consistent with our decision herein, that the proposed customer notice is adequate, and that the appropriate security is provided. It is further

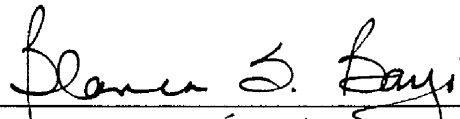
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ORDERED that Cypress Lakes Utilities, Inc. shall provide a corporate undertaking guaranteed by Utilities, Inc., its parent company, in the cumulative amount of \$534,776 which shall remain in effect until released or terminated by subsequent Commission Order as guarantee of any potential refund of water revenues collected under the interim conditions. It is further

ORDERED that during the time the interim rates are in effect, Cypress Lakes Utilities, Inc. shall file a report by the 20th of each month indicating the monthly and total revenue collected subject to refund pursuant to Rule 25-30.360(6), Florida Administrative Code. It is further

ORDERED that this docket shall remain open pending the Commission's final action on the utility's requested rate increase.

By ORDER of the Florida Public Service Commission this 10th day of February, 2003.



BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

CYPRESS LAKES UTILITIES, INC. SCHEDULE OF WATER RATE BASE TEST YEAR ENDED 12/31/01			SCHEDULE NO. 1-A DOCKET NO. 020407-WS		
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$1,329,460	\$0	\$1,329,460	\$0	\$1,329,460
2 LAND & LAND RIGHTS	\$509	\$0	\$509	\$0	\$509
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	\$0	\$0
4 ACCUMULATED DEPRECIATION	(\$288,550)	\$0	(\$288,550)	\$0	(\$288,550)
5 CIAC	(\$246,499)	\$0	(\$246,499)	\$0	(\$246,499)
6 AMORTIZATION OF CIAC	\$28,574	\$5,565	\$34,139	(\$5,565)	\$28,574
7 ACQUISITION ADJUSTMENT - NET	(\$267,107)	\$267,107	\$0	\$0	\$0
8 WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$12,313</u>	<u>\$12,313</u>	<u>(\$644)</u>	<u>\$11,670</u>
9 RATE BASE	<u>\$556,387</u>	<u>\$284,985</u>	<u>\$841,372</u>	<u>(\$6,209)</u>	<u>\$835,164</u>

CYPRESS LAKES UTILITIES, INC. SCHEDULE OF WASTEWATER RATE BASE TEST YEAR ENDED 12/31/01			SCHEDULE NO. 1-B DOCKET NO. 020407-WS		
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$2,252,159	\$0	\$2,252,159	\$0	\$2,252,159
2 NON-USED & USEFUL COMPONENTS	\$0	(\$131,593)	(\$131,593)	\$0	(\$131,593)
3 CWIP	\$160,381	(\$160,381)	\$0	\$0	\$0
4 ACCUMULATED DEPRECIATION	(\$502,877)	\$0	(\$502,877)	\$0	(\$502,877)
5 CIAC	(\$711,034)	\$0	(\$711,034)	\$0	(\$711,034)
6 AMORTIZATION OF CIAC	\$58,598	\$12,509	\$71,107	(\$12,509)	\$58,598
7 ACQUISITION ADJUSTMENTS	(\$400,032)	\$400,032	\$0	\$0	\$0
8 WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$20,794</u>	<u>\$20,794</u>	<u>(\$618)</u>	<u>\$20,177</u>
9 RATE BASE	<u>\$857,195</u>	<u>\$141,361</u>	<u>\$998,556</u>	<u>(\$13,127)</u>	<u>\$985,430</u>

CYPRESS LAKES UTILITIES, INC. ADJUSTMENTS TO RATE BASE TEST YEAR ENDED 12/31/01		SCHEDULE NO. 1-C DOCKET NO. 020407-WS PAGE 1 OF 1	
EXPLANATION		WATER	WASTEWATER
ACCUM. AMORT. OF CIAC			
1	To remove utility's adjustment to impute amort. not accrued in 1999	<u>(\$5,565)</u>	<u>(\$12,509)</u>
WORKING CAPITAL			
2	To reduce to 1/8 O&M expense	<u>(\$644)</u>	<u>(\$618)</u>

CYPRESS LAKES UTILITIES, INC. CAPITAL STRUCTURE TEST YEAR ENDED 12/31/01							SCHEDULE NO. 2 DOCKET NO. 020407-WS	
DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST	
PER UTILITY								
1 LONG TERM DEBT	\$72,051,803	\$0	(\$71,230,789)	\$821,014	44.62%	8.82%	3.94%	
2 SHORT-TERM DEBT	\$15,659,000	\$0	(\$15,480,646)	\$178,354	9.69%	2.54%	0.25%	
3 PREFERRED STOCK	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
4 COMMON EQUITY	\$73,169,033	\$0	(\$72,335,371)	\$833,662	45.31%	11.07%	5.02%	
5 CUSTOMER DEPOSITS	\$6,900	\$0	\$0	\$6,900	0.38%	6.00%	0.02%	
6 DEFERRED INCOME TAXES	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
7 TOTAL CAPITAL	<u>\$160,886,736</u>	<u>\$0</u>	<u>(\$159,046,806)</u>	<u>\$1,839,930</u>	<u>100.00%</u>		<u>9.22%</u>	
PER COMMISSION								
8 LONG TERM DEBT	\$72,051,803	\$0	(\$71,244,363)	\$807,440	44.35%	8.82%	3.91%	
9 SHORT-TERM DEBT	\$15,659,000	\$0	(\$15,483,519)	\$175,481	9.64%	2.54%	0.24%	
10 PREFERRED STOCK	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
11 COMMON EQUITY	\$73,169,033	\$0	(\$72,349,073)	\$819,960	45.04%	9.93%	4.47%	
12 CUSTOMER DEPOSITS	\$6,900	\$0	\$0	\$6,900	0.38%	6.00%	0.02%	
13 DEFERRED INCOME TAXES	\$0	<u>\$10,812</u>	<u>\$0</u>	<u>\$10,812</u>	0.59%	0.00%	0.00%	
14 TOTAL CAPITAL	<u>\$160,886,736</u>	<u>\$10,812</u>	<u>(\$159,076,955)</u>	<u>\$1,820,593</u>	<u>100.00%</u>		<u>8.65%</u>	
					LOW	HIGH		
					9.93%	11.93%		
RETURN ON EQUITY					<u>8.65%</u>	<u>9.55%</u>		
OVERALL RATE OF RETURN								
<u>Commission Adjustment</u> include balance of deferred income taxes in cost of capital								

CYPRESS LAKES UTILITIES, INC. STATEMENT OF WATER OPERATIONS TEST YEAR ENDED 12/31/01						SCHEDULE NO. 3-A DOCKET NO. 020407-WS	
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	COMM. ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT
1 OPERATING REVENUES	<u>\$110,204</u>	<u>\$161,208</u>	<u>\$271,412</u>	<u>(\$156,860)</u>	<u>\$114,552</u>	<u>\$140,644</u> 122.78%	<u>\$255,196</u>
OPERATING EXPENSES:							
2 OPERATION & MAINTENANCE	<u>\$93,356</u>	<u>\$5,151</u>	<u>98,507</u>	<u>(5,151)</u>	<u>93,356</u>		<u>93,356</u>
3 DEPRECIATION	<u>\$43,325</u>	<u>\$0</u>	<u>43,325</u>	<u>0</u>	<u>43,325</u>		<u>43,325</u>
4 AMORTIZATION	<u>\$0</u>	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>
5 TAXES OTHER THAN INCOME	<u>\$17,268</u>	<u>\$10,829</u>	<u>28,097</u>	<u>(10,699)</u>	<u>17,398</u>	<u>6,329</u>	<u>23,727</u>
6 INCOME TAXES	<u>(\$28,449)</u>	<u>\$52,387</u>	<u>\$23,938</u>	<u>(\$51,946)</u>	<u>(\$28,008)</u>	<u>\$50,543</u>	<u>\$22,534</u>
7 TOTAL OPERATING EXPENSES	<u>\$125,500</u>	<u>\$68,367</u>	<u>\$193,867</u>	<u>(\$67,796)</u>	<u>\$126,071</u>	<u>\$56,872</u>	<u>\$182,943</u>
8 OPERATING INCOME	<u>(\$15,296)</u>	<u>\$92,841</u>	<u>\$77,545</u>	<u>(\$89,064)</u>	<u>(\$11,519)</u>	<u>\$83,772</u>	<u>\$72,253</u>
9 RATE BASE	<u>\$556,387</u>		<u>\$841,372</u>		<u>\$835,164</u>		<u>\$835,164</u>
10 RATE OF RETURN	<u>-2.75%</u>		<u>9.22%</u>		<u>-1.38%</u>		<u>8.65%</u>

CYPRESS LAKES UTILITIES, INC. STATEMENT OF WASTEWATER OPERATIONS TEST YEAR ENDED 12/31/01							SCHEDULE NO. 3-B DOCKET NO. 020407-WS	
DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUST- MENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUST- MENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE	REVENUE REQUIREMENT	
1 OPERATING REVENUES	<u>\$229,432</u>	<u>\$127,895</u>	<u>\$357,327</u>	<u>(\$122,549)</u>	<u>\$234,778</u>	<u>\$104,389</u> 44.46%	<u>\$339,167</u>	
OPERATING EXPENSES								
2 OPERATION & MAINTENANCE	\$161,412	\$4,939	\$166,351	(\$4,939)	\$161,412		\$161,412	
3 DEPRECIATION	\$35,990	(\$3,293)	\$32,697	\$0	\$32,697		\$32,697	
4 AMORTIZATION	\$0	\$0	\$0	\$0	\$0		\$0	
5 TAXES OTHER THAN INCOME	\$29,745	\$7,812	\$37,557	(\$9,039)	\$28,518	\$4,698	\$33,216	
6 INCOME TAXES	<u>\$780</u>	<u>\$28,690</u>	<u>\$29,470</u>	<u>(\$40,395)</u>	<u>(\$10,925)</u>	<u>\$37,514</u>	<u>\$26,589</u>	
7 TOTAL OPERATING EXPENSES	<u>\$227,927</u>	<u>\$38,148</u>	<u>\$266,075</u>	<u>(\$54,373)</u>	<u>\$211,702</u>	<u>\$42,211</u>	<u>\$253,914</u>	
8 OPERATING INCOME	<u>\$1,505</u>	<u>\$89,747</u>	<u>\$91,252</u>	<u>(\$68,176)</u>	<u>\$23,076</u>	<u>\$62,178</u>	<u>\$85,253</u>	
9 RATE BASE	<u>\$857,195</u>		<u>\$998,556</u>		<u>\$985,430</u>		<u>\$985,430</u>	
10 RATE OF RETURN	<u>0.18%</u>		<u>9.14%</u>		<u>2.34%</u>		<u>8.65%</u>	

CYPRESS LAKES UTILITIES, INC. ADJUSTMENTS TO OPERATING INCOME TEST YEAR ENDED 12/31/01		SCHEDULE NO. 3-C DOCKET NO. 020407-WS PAGE 1 OF 1	
EXPLANATION	WATER	WASTEWATER	
<u>OPERATING REVENUES</u>			
1 Remove requested interim revenue increase	<u>(\$156,860)</u>	<u>(\$122,549)</u>	
<u>OPERATION & MAINTENANCE EXPENSE</u>			
2 Remove pro forma salary adjustments	\$983	\$952	
3 Remove proforma pensions and benefits	(\$6,671)	(\$6,459)	
4 Remove proforma common expense allocation	<u>\$537</u>	<u>\$568</u>	
Total	<u>(\$5,151)</u>	<u>(\$4,939)</u>	
<u>TAXES OTHER THAN INCOME</u>			
5 RAFs on revenue adjustments above	(\$7,059)	(\$5,515)	
6 Remove proforma taxes on salary increases	<u>(\$3,640)</u>	<u>(\$3,524)</u>	
Total	<u>(\$10,699)</u>	<u>(\$9,039)</u>	
<u>INCOME TAXES</u>			
7 To adjust to test year income tax expense	<u>(\$51,946)</u>	<u>(\$40,395)</u>	

CYPRESS LAKES UTILITIES, INC. WATER MONTHLY SERVICE RATES TEST YEAR ENDED 12/31/01		SCHEDULE NO. 4-A DOCKET NO. 020407-WS		
	Rates Prior to Filing	Utility Requested Interim	Utility Requested Final	Comm. Approved Interim
Residential and Multi-Residential				
Base Facility Charge				
All Meter Sizes:	\$3.82	\$9.05	\$9.19	\$8.63
Gallonge charge(per 1,000 gallons)				
0-6,000 gallons	\$0.82	\$1.94	\$1.97	\$1.85
6,001-12,000 gallons	\$1.23	\$2.91	\$2.96	\$2.78
over 12,000 gallons	\$1.64	\$3.89	\$3.94	\$3.70
General Service				
Base Facility Charge:				
Meter Size:				
5/8" x 3/4"	\$3.82	\$9.05	\$9.19	\$8.63
1"	\$9.55	\$22.63	\$22.98	\$21.57
1-1/2"	\$19.10	\$45.25	\$45.95	\$43.14
2"	\$30.56	\$72.41	\$73.52	\$69.03
3"	\$57.30	\$135.76	\$137.85	\$129.43
4"	\$95.50	\$226.26	\$229.75	\$215.72
6"	\$191.00	\$452.54	\$459.50	\$431.44
Gallonge Charge, per 1,000 Gallons	\$0.82	\$1.94	\$1.97	\$1.85
Typical Residential Bills				
5/8" x 3/4" Meter Size				
3,000 Gallons	\$6.28	\$14.87	\$15.10	\$14.19
5,000 Gallons	\$7.92	\$18.75	\$19.04	\$17.89
10,000 Gallons	\$12.02	\$28.45	\$28.89	\$27.15

CYPRESS LAKES UTILITIES, INC. WASTEWATER MONTHLY SERVICE RATES TEST YEAR ENDED 12/31/01		SCHEDULE NO. 4-B DOCKET NO. 020407-WS		
	Rates Prior to Filing	Utility Requested Interim	Utility Requested Final	Comm. Approved Interim
<u>Residential and Multi-Residential</u>				
Base Facility Charge:				
All meter sizes	\$9.52	\$14.49	\$14.65	\$13.75
Gallage Charge - Per 1,000 gallons (8,000 gallon cap)				
	\$2.02	\$3.07	\$3.11	\$2.92
<u>General Service</u>				
Base Facility Charge:				
Meter Size:				
5/8" x 3/4"	\$9.52	\$14.49	\$14.65	\$13.75
1"	\$23.81	\$36.24	\$36.63	\$34.40
1-1/2"	\$47.62	\$72.49	\$73.25	\$68.79
2"	\$76.19	\$115.96	\$117.20	\$110.07
3"	\$142.85	\$217.42	\$219.75	\$206.37
4"	\$238.09	\$362.38	\$366.25	\$343.95
6"	\$476.17	\$724.75	\$732.50	\$687.89
Gallage Charge, per 1,000 Gallons				
	\$2.02	\$3.07	\$3.11	\$2.92
<u>Typical Residential Bills</u>				
5/8" x 3/4" meter				
3,000 Gallons	\$15.58	\$23.70	\$23.98	\$22.51
5,000 Gallons	\$19.62	\$29.84	\$30.20	\$28.34
8,000 Gallons	\$25.68	\$39.05	\$39.53	\$37.10
(Wastewater Gallage Cap - 8,000 Gallons)				